

Amendments to the Specification

Please replace the paragraph number 5, beginning at page 3, line 5-21, with the following rewritten paragraph:

The invention provides a product distribution system and method in which an on-line retailer produces a shopping site accessible to a computer network customer, who places an order for the purchase of products. An independent distributor, who is geographically local to the customer and maintains an inventory of the retailer's products, is informed of the order when it is placed and is instructed to provide the customer with as many products from the order as are in the local distributor's inventory. The retailer also provides the customer with a receipt code. When the local distributor delivers the products to the ordering customer, the customer provides the local distributor with the receipt code, which the local distributor uses to confirm address and receipt code and returns to the retailer as proof of product delivery. The retailer then compensates the local distributor for the delivery of the products. The independent distributors maintain their own inventory of products, from which deliveries occur. The distributors are local to the customer, where the geographic distance to the customer is such that product delivery times are reduced, preferably to less than one day. In this way, the retailer utilizes a network of independent distributors to deliver products purchased by customers. This creates a "virtual warehouse" system, such that the retailer reduces the overhead of maintaining a retailer warehouse distribution system and employees, capital equipment, and other associated expenses.

Please replace the paragraph number 18, beginning at page 6, line 19, with the following rewritten paragraph:

FIG. 2 is a block diagram of an exemplary computer 200 such as might comprise any of the computers 102, 104, 106. Each computer 200 operates under control of a central processor unit (CPU 202, such as a "Pentium" microprocessor and associated integrated circuit chips, available from Intel Corporation of Santa Clara, Calif., USA. A computer user can input commands and data from a keyboard 204 and can view inputs and computer output at a display 206. The display is typically a video monitor or flat panel display. The

computer 200 also includes a direct access storage device (DASD) 207, such as a hard disk drive. Computer memory 208 typically comprises volatile semiconductor random access memory (RAM). Each computer preferably includes a program product reader 210 that accepts a program product storage device 212, from which the program product reader can read data (and to which it can optionally write data). The program product reader can comprise, for example, a disk drive, and the program product storage device can comprise removable storage media such as a magnetic floppy disk, an optical CD-ROM disc, or a magneto-optical CD-RW, CD-R, or DVD-RW disc. Each computer 200 communicates with the others over the network ~~408~~213 through a network interface 214 that enables communication over a connection 216 between the network and the computer.

Please replace the paragraph number 19, beginning at page 7, line 13, with the following rewritten paragraph:

The CPU 202 operates under control of programming steps that are temporarily stored in the memory 208 of the computer 200. When the programming steps are executed, the respective computers carry out process steps to implement the appropriate functionality, as described further below. The programming steps can be received from the DASD 207, through the program product storage device 212, or through the network connection 216. The storage drive 210 can receive a program product storage device 212, read programming steps recorded thereon, and transfer the programming steps into the memory 208 for execution. As noted above, the program product storage device can comprise any one of multiple removable media having computer-readable instructions, including floppy disks and CD storage. Other suitable program product storage devices can include magnetic tape and semiconductor memory. In this way, the processing steps necessary for operation in accordance with the invention can be embodied on a program product. Alternatively, the program steps can be received into the operating memory 208 over the network ~~408~~213. In the latter method, the computer receives data into the memory 208 through the network interface 214 after network communication has been established over the network connection 216 by well-known methods that will be understood by those skilled in the art without further explanation.

Please replace the paragraph number 38, beginning at page 15, line 10, with the following rewritten paragraph:

Returning to the FIG. 3 flow diagram, if the submitted receipt code matches the sent receipt code, an affirmative outcome at the decision box, then at the flow diagram box numbered 314 the retailer computer causes the local distributor to be paid for the products and for the delivery. The amount of such compensation should take into account the physical act of delivery itself and the original purchase of products, as transacted between the retailer and the local distributor. Other processing of the system may then continue. If the distributor receipt code does not match the customer receipt code, a negative outcome at the decision box 312, then at box 316 the retailer computer denies payment and payment processing is halted and the distributor retrieves the goods.